

REVERSIONARY INSURANCE.—There is no feature of insurance so difficult of explanation to the ordinary citizen as the dividends accruing to him on an insurance policy. What he understands by a dividend is the percentage earned by the premiums he and his co-insurers pay in ; and as the dividends thus allotted to him far exceed any sum that a similar amount of money could earn in any other manner, he jumps to the conclusion that, in some recondite manner, insurance money is worth more than ordinary funds, and consequently he is disposed to accept any statement, however roseate, that an unscrupulous agent may put before him. He is not to know that the so-called dividend includes not only the surplus of interest over the reserve standard and the profit from savings in mortality under the calculation, but also the excess of premium not used for expenses. The word dividend misleads him, and believing that it is money actually earned, he becomes imbued with the idea that an insurance company has occult methods of obtaining more for its money than any other form of business.

It is in this confused idea of the real nature of insurance dividends that the assessment endowment friendly societies find their most potent argument. Accustomed to receive dividends, apparently out of all proportion to the amount of his investment, from companies on whose soundness he can implicitly rely, he deems nothing impossible in insurance, and, as a natural sequence, we find him cheerfully investing \$45 or \$50 in an assessment endowment society, in the sublime belief that in some peculiar manner the society can pay him back \$100 at the end of the year from money legitimately earned.

This misapprehension as to the true nature of insurance dividends renders legitimate plans based upon them, such as the reversionary policy, almost inexplicable to the ordinary insurer. He cannot understand how it is that a policy taken out for a certain sum, and carried at a fixed premium for a number of years, can be worth to his heirs after his death a heavy percentage in excess of the face value. And yet it is easily explained. He simply allows his share of the surplus to be used for the purchase of additional insurance, under the same conditions as his original policy, instead of using it to reduce the amount of his premium. Thus, every year his policy becomes more valuable, without any additional expenditure on his part.

This feature in the reversionary system recommends itself to